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WORLD COTTON PROSPECTS

Summary

Sales of cotton textiles in this country as well as in many foreign countries increased very materially during the recent period of advancing cotton prices, and as a result cotton textile mill activity increased to a considerable extent. In the United States cotton consumption increased from 279,000 bales in July to 403,000 bales in August and 492,000 bales in September, an increase of 76 per cent in 2 months. Despite the marked increase in domestic textile production, sales, at least of cotton cloth, were slightly larger than production during September. In many of the continental European countries there was an increase in mill activity accompanying and following the increased textile sales, but reports about the end of September indicated that the industry had again assumed a more cautious attitude although much of the improvement made in July and August had been largely maintained. In Great Britain sales of cotton yarn were reported as running above production during the second half of October but mill activity was below a year earlier. Japan continues to maintain a hi h rate of cotton consumption with a large percentage of American still being used. The exports of cotton cloth from Japan continue at record levels with heavy demand from India. In China the Chinese owned mills were operating at about normal rates at mid-October while the Japanese mills continued at only about 60 per cent of normal. With a Chinese cotton crop 40 to 47 per cent larger than last year, and the price of native cotton in China relatively low, interest in American cotton is considerably less than last year.

Exports of American cotton are still running above last season with the movement distributed more normally among the different countries than was the case last season. For the first 2 months this season exports totaled 54 per

cent larger than in a like period last season. The greatest increases over last year were in the amount going to Germany, France, and the United Kingdom. Exports of Egyptian and Indian cotton continue to run below the corresponding period last season.

The latest Government estimate of domestic production indicates a crop in the United States 5,671,000 bales less than in 1931-32. In India and China, however, the 1932-33 production is expected to be much larger than last season. Private estimates for India point to an increase of from 800,000 to 1,200,000 bales of 478 pounds and in China the increase is now estimated at about 800,000 bales. Egyptian production may be more than 400,000 bales less than in 1931-32 and decreases may also occur in Mexico, Brazil, and some of the smaller producing countries.

Prices

From the high point of 8.84 cents for Middling 7/8 inch cotton at the 10 spot markets reached on August 27, prices have fluctuated irregularly, with a downward trend, until on October 24 the average went below 6.00 cents, the lowest since early August. Since then there has been some recovery. Much of the decline in cotton prices has been associated with the decline in industrial stocks prices. Prices received by domestic producers rose from 4.6 cents per pound on June 15 to 7.2 cents per pound on September 15 which compares with 5.9 cents received in September 1931.

Futures prices of American cotton have shown greater weakness during recent weeks than have spot prices. The greater strength of spot prices is evidently due to moderate marketings of the new crop, fairly strong demand for spot cotton and the continued holding of stocks of old cotton.

Stocks and Movement

Exports of American

During September exports from the United States amounted to 734,000 running bales compared with 558,000 bales in the same month last season and 905,000 bales in the like period of 1930-31. For the first 2 months of this season total exports were 1,186,000 bales whereas last season they totaled 769,000 bales during August and September, an increase of 54 per cent. The greatest increases over last year were in the movement to Germany, France, and the United Kingdom although most European countries took more than at the same time last year. Japan, China and other countries, however, have taken smaller amounts this season than last.

Exports of Indian and Egyptian

From August 1 to October 20 total exports from India amounted to 270,000 running bales compared with 413,000 bales in 1931 and 671,000 bales in 1930, according to data from the Commercial and Financial Chronicle. Great Britain, Japan and China took considerably less Indian than during the same period last season but the Continent took slightly more than during the first 80 days of last season. It is expected that a material increase in Indian exports will take place when the new crop cotton starts coming on the market since it is now expected that this crop will probably be a million bales larger than last year.

Exports of cotton from Alexandria, Egypt from August 1 to October 19 this season totaled 119,000 bales which were 44,000 bales less than a year earlier but slightly larger than the 114,000 bales exported during the same period in 1930. With the Egyptian crop about one-third less than last year it is expected that exports will continue to run below last season.

Textile Situation

United States

Domestic cotton mill activity in September was rather high, the 492,000 bales consumed being 22 per cent above August and 6 per cent or 27,000 bales above September 1931. This was the first time since last February that monthly consumption exceeded the consumption of the corresponding month the previous year. As compared with the very low rate of consumption during July there was an increase in the 2 months, August and September of 213,000 bales or 76 per cent. This marked increase reflects the large buying movement in cotton textiles which occurred in August and early September under the stimulus of the advancing prices of cotton, other commodities and industrial stocks. Many mills are said to have sold 2 or 3 months output in advance. More recently sales have declined considerably but for the month of September sales of cotton cloth, as reported by the Association of Cotton Textile Merchants of New York, were slightly larger than production although less than half as large as in August.

For the first 2 months this season total cotton consumption amounted to 894,000 running bales, according to the Bureau of the Census data, compared with 889,000 bales during the same period last season. Larger consumption, together with the fact that exports during the first 2 months this season were 417,000 bales larger than last season, gives a total disappearance of American cotton from the United States supply of about 422,000 bales greater than during August and September last year.

Great Britain

Toward the middle of October reports from Manchester indicated that the textile situation there was improving somewhat. Cloth demand was broadening with more sales to India and China. Sales of yarn were said to have exceeded production.

The threatening labor difficulties in the spinning section of the industry were settled during the latter part of October without the stoppage of any of the mills.

Piece goods exports amounted to 177,400,000 square yards in September, which were 48,900,000 square yards or 38 per cent greater than in September, 1931, but showed a slight decline as compared with August. At the low point in November, 1931 exports amounted to 126,000,000 yards and for the first 8 months of 1932 they averaged about 190,000,000 yards. For the 2 months August and September total piece goods exports amounted to 358,300,000 square yards compared with 272,300,000 square yards, an increase of 32 per cent over 1931.

Continental Europe 1/

The upward surge in the cotton textile situation on the Continent during August gave way in September to a hesitating movement, in which, however, previous gains were largely maintained. The downward turn in raw cotton prices, following their previous sharp advance, have clearly caused a renewal of caution. In fact, some doubt is evident as to whether the upward movement can continue with business conditions still showing no definite turn for the better. Improvement in purchasing power, it is felt, must follow soon if the marked upturn in cotton textiles is to be maintained, so attention is being focussed for signs of general revival.

New business booked by spinners during September was relatively satisfactory in all continental countries, though somewhat interfered with at times by the extensive fluctuations in the raw markets. The downward trend of raw cotton prices experienced throughout September was especially felt in central Europe, but yarn business in France, on the whole, was not particularly influenced by the decline in prices. New orders booked by manufacturers of cotton cloth were also fairly satisfactory in western Europe during the month, and continued to be considerably better than in June and July in central Europe.

Cotton spinning and weaving mill activity on the Continent as a whole appeared to show a further slight rise in September in comparison with the improved levels attained in August. The pick-up was greatest in western Europe, where, for example, most Roubaix-Tourcoing spinners shifted from 3 days per week to 4 or 5 days occupation.

The great interest in raw cotton shown by spinners and merchants during August slackened during September, because of the downward movement in prices, yet a fair volume of business continued to be reported from raw market centers over most of the Continent, with purchases centering mainly in near shipments. Price fixing by spinners was of generally moderate volume, but major setbacks in raw prices were generally taken advantage of for the placing of fixing orders.

In addition to concern for the future development of general business, the cotton textile industry continues to be confronted by the growth of obstacles to international trade. Some stability has been attained in respect to foreign exchange restrictions, but other types of measures, notably measures aiming at the restriction of imports to protect agricultural and other domestic producers, etc., continue to increase. The recent out-break of a wave of retaliatory measures against countries which have adopted contingent systems, or are threatening to adopt one, as in the case of Germany, is causing

1/ Based largely on a report from Agricultural Attache L.V. Steere at Berlin dated October 6, 1932, supplemented by cable October 15.

particular uneasiness. Germany has experienced considerable difficulty of late in textile exports, notably to the Scandinavian countries, where strong efforts are being made to curtail purchases of German goods apparently in retaliation for Germany's strides toward agrarian protectionism. This development may yet lead to a noticeable shift in Scandinavian textile buying from Germany to England. The Czechoslovakian textile industry is also much influenced by the numerous barriers across export channels, because of the dependence of its textile industry on export outlets. Prospects of the early removal of obstacles of this nature are not encouraging.

Germany

The German cotton spinners association report for the month of August indicated definitely that the sharp advance in raw cotton prices during August resulted in a remarkable improvement in cotton yarn sales, with a general increase in unfilled orders reported for the end of the month. It was stated, however, that these purchases were mostly speculative, based upon the expectation of a further rise in prices, and that the limited increase in the calling of old contracts indicated that consumption was still slow. Spinning operations, according to that report, were unchanged during August. Prices obtainable in August were complained of, particularly prices for fine counts, because of British competition.

The cotton weavers' report for August likewise indicated considerable improvement in business, with a marked increase in unfilled orders. Export sales remain small, however, and the industry faces, with great anxiety, the boycott movements in northern European countries against German goods, for which the agrarian policy of the Reich Government is held responsible. The weavers' report likewise stated that a revival in actual goods consumption was not evident and that the increased business in all sections of the industry was due to speculative considerations.

The September report of the spinning industry shows some increase in spinning mill activity and a fair amount of business done. Weaving business in September was quite satisfactory according to the report. At mid-October some revival of confidence in Germany was reported as a result of the economic program of that Government.

On September 10, the German cotton spinners decided not to prolong beyond September 12, the organized restriction of spinning activity, but in early October efforts were still being made by the association to bring about a reconsideration of the restriction plans.

Cotton spinner purchases of raw cotton were of fair volume during the month of September, but a tendency to hold back was apparent whenever declines in raw values occurred. Price fixing, however, remained of considerable volume, especially on major setbacks in cotton price quotations.

Various indexes of the German cotton textile situation indicate a fairly sound situation in many branches of the industry, but as yet there is little evidence of an increase in consumer demand, which must come if the recent revival in the industry is to continue long. The volume of textile retail sales in July was estimated at about 82 per cent of July 1931, and August sales reached a new low level in point of value, and probably also in volume. Developments of such sales in 1931 and 1932 are shown in Table 1.

The Leipzig Fair closed at the end of August with reports that, in regard to textiles, business was slow, and that buyers mostly confined themselves to orientation. Some satisfactory sales were made in novelties.

Table 1.- Index of value of German textile retail sales, by months, 1931 and 1932

July 1924-June 1926 = 100

Month	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1931	91.8	66.6	78.2	82.7	102.1	80.2	92.5	63.1	70.5	87.3	76.8	109.3
1932	69.8	55.0	62.3	67.7	73.2	63.3	63.9	45.7				

Czechoslovakia

Press information in regard to the position of the Czechoslovakian cotton industry indicated little change in the basically unsatisfactory situation reported previously. The somewhat increased influx of orders for spinning and weaving mills in August gave way to renewed recession by the end of September, and there was little optimism evident in the industry because of the very unfavorable prospects for export of both cloth and yarns.

The spinner cartel was definitely formed several weeks ago, with an adherence of 95 per cent of all spinners at present in operation. The cartel has increased yarn prices but slightly, in order to safeguard the export interests of the industry.

As Czechoslovakian spinners have experienced considerable difficulties in getting adequate allotments of currency for raw cotton at the increased price level, it has been urged by influential groups of the industry and trade that textile raw materials be excluded from the currency restrictions. It is still uncertain whether the Government will comply with these demands.

Figures now available on Czechoslovakian imports of raw cotton during 1931-32 clearly show the great decline in cotton mill activity as compared with the favorable years prior to 1929-30. Net imports of raw cotton in 1931-32 amounted to the equivalent of 382,000 bales of 478 pounds as compared with 452,000 bales last season, 504,000 in 1929-30, 563,000 in 1928-29, and 615,000 in 1927-28. Similarly, an enormous decline has been experienced in exports of cotton yarn and fabrics, the latter amounting to only one quarter to one half and the former to about one half of last year's exports.

Austria

Such information as is available on recent developments in the Austrian cotton textile industry, points to continued difficulties in the spinning section though weavers who are well protected against foreign competition seem to have profited from the revival of raw cotton markets in August. September raw cotton developments, however, resulted in renewed hesitancy on the part of buyers.

Raw cotton imports into Austria during 1931-32, as a result of the fear of currency depreciation and currency allotments, have been considerably above those of last season, amounting to 115,000 bales of 478 pounds as compared with 98,000 last year, and 118,000 in 1929-30.

France

French spinners and weavers experienced a continued improvement in new business during the month of September, despite the decline in raw cotton quotations and the hesitancy of buyers in central European countries. Effects of the declining raw markets were felt only temporarily in the volume of new orders coming in.

The position of the yarn market at Roubaix-Tourcoing has improved greatly over previous weeks, with very small stocks of cotton yarn reported from weaving plants. Yarn prices developed an upward tendency and in early October were apparently quite attractive for the industry. During the second half of the month the decline in the cotton prices dampened the active interest for cotton yarn at Roubaix, but Rouen continued to report active sales. Unfilled orders held at Roubaix, however, are reported sufficient to keep the industry active for 3 to 4 months at present rates of occupation.

Weaving mills also reported a considerable volume of new business in September, as a whole, with slower sales during the second half of the month, but a revival at the end. Export interest for French cotton cloths has also been quite good. Mill activity among both spinners and weavers was increased during September with most of the Roubaix spinners shifting from 3 days' occupation per week to 4 or 5 days.

The September decline in the raw cotton market has adversely affected French spinner and merchant interest for raw cotton, though buying interest for spots and outside growths, which at times were attractive in comparison to American prices, was of fair volume. Price fixing orders by the industry during the month were rather small.

Figures now available on French raw cotton imports during the season 1931-32, clearly point to a great decline in French mill activity, though it should be kept in mind that actual recession was not as great as this drop in imports, because of the fact that raw cotton stocks in France were greatly reduced during the season. While imports from 1926-27 to 1930-31 were steady around 1,637,000 to 1,683,000 equivalent bales of 478 pounds, imports during 1931-32 fell to 826,000 bales. This fact partially explains the heavy buying by France in recent months.

Italy

Information from Italy indicates that the situation in the cotton spinning and weaving mills at the end of September was somewhat less favorable than a month earlier, with new orders having declined and mill activity tending downward. The change, however, does not seem very significant, in view of the fact that these reports also show new sales by the industry to be outrunning production. Cotton spinner demand for raw cotton, both spots and near shipments, was fair in September, with price fixing taking place in moderate volume on important declines in raw prices.

Italian cotton spinning and weaving mill activity figures through July indicate a slightly downward tendency in the activity of both spinning and weaving establishments from May to July. In fact, for the 7 months since January a slightly downward tendency is evident, but both spinners and weavers have maintained occupation without great fluctuation.

Raw cotton import figures for the whole season are not yet available, but it may be expected that imports will be approximately 858,000 bales of 478 pounds during 1931-32, which is above last season, when imports were 798,000 bales. The largest raw cotton imports since 1926-27 amounted to 1,093,000 bales, in 1928-29.

Poland

Reports on the cotton mill situation in Poland in August and early September indicate that business in cotton yarns has been good, the general buying interest permitting the spinners trust to advance prices significantly. Interest for finished goods is somewhat slow, but a satisfactory winter season is expected because of much reduced stocks of both yarn and fabrics.

Net imports of raw cotton into Poland in 1931-32 amounted to 221,000 bales, as against 282,000 and 235,000 in 1930-31 and 1929-30 respectively. The largest Polish imports of 347,000 bales occurred in 1927-28, and 302,000 bales were imported in 1928-29.

Beginning with January 1, 1933, all cotton imports will have to be made via Gdynia, as cotton imported through any other port (non-Polish port) will have to pay an import duty.

Russia

Summer vacations and possibly also reduced supplies of raw material continued to affect production of the cotton textile industry during August. August production of finished goods was 8 per cent below July output and about 20 per cent below the average monthly production during the first 6 months of the current year. Total production of finished goods during August amounted to 182,500,000 yards or 85.5 per cent of the plan. Production of yarn amounted to 46,279,000 pounds, which is also considerably below plan (84.9 per cent of the plan).

No pick-up was apparent at the beginning of September, when daily production was reported both below output at the end of August as well as the corresponding time last year. The nonexecution of the plan for cotton fabrics for the calendar year now seems certain, as the plan for the fourth quarter of the current year does not foresee an increase sufficient to offset the lag of the previous months. The plan for the last 3 months of 1932 provides for an output of cotton fabrics of 849,180,000 yards, which is an increase of 34.2 per cent, compared with the same period a year ago.

The newly organized Commissariat of Light Industry has presented its first draft of the second 5-year plan, on the basis of which output of cotton fabrics is to amount to 4,068,000,000 yards in 1933 and to 7,054,000,000 yards by 1937. This would bring about an increase in per capita consumption of cotton fabrics from 15.0 yards to 30.4 yards. Total per capita consumption of all textiles is to increase from 18.2 to 48.6 yards.

Japan 1/

The parity of prices of American and Indian cotton in Japan during the last of September and the first part of October was reported as favorable to Indian cotton and as a result large sales of Indian cotton occurred. The general opinion in Japan seems to have been that with a continuation of the price parity existing at that time the purchases of Indian cotton would increase very materially this season and that the imports of American cotton would be correspondingly smaller.

During August cloth exports reached new record levels, the 208,000,000 square yards being 13,000,000 square yards or 7 per cent larger than July and 68,000,000 square yards or 48 per cent larger than in August 1931. Trade opinions are that a high volume of cloth exports will be maintained. Import demand from India for Japanese goods continues strong despite the high duties on cloth imports and the demand in the home market is said to have shown a marked improvement during August. Exports of yarn increased slightly during August.

China 2/

Chinese owned mills in China were operating at about normal rates at mid-October, but the Japanese mills continued to operate at only about 60 per cent of normal. It is now expected that the general demand for yarn in China during the 1932-33 season will probably be as good as or perhaps slightly better than in 1931-32, but the continued curtailment in the Japanese mills makes it uncertain whether total consumption of all cotton will be any greater than last season. Even with total consumption in China as large as in 1931-32 there is little doubt that the consumption of American cotton this season will be considerably less than last season since the supply of native cotton will be much larger this year. At present the Chinese crop is estimated at 40 to 47 per cent larger than the short crop of 1931-32. In the first part of October there was only a small amount of interest in American due to price differentials and it is said that American is being used this year only where it is especially necessary for the production of certain yarns. It is now felt that consumption of American cotton in China in 1932-33 will probably be 300,000 or 400,000 bales less than during last season.

Crop Acreages, Conditions and Prospects

The domestic cotton crop was officially forecast at 11,425,000 bales on October 8, based on conditions as of October 1. This represents an increase of 115,000 bales or 1 per cent above the September 1 forecast. The condition of the crop was reported at 54.2 per cent of normal compared

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1/ Based largely on a cabled report received October 3 from Vice Consul Schuler at Kobe, Japan, through the Bureau's Shanghai Office.

2/ Based largely on cable of October 14 from Agricultural Commissioner Dawson at Shanghai.

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with 69.3 per cent on October 1, 1931, and a 10-year average condition (1921-1930) of 52.8 per cent. The average yield forecast was 149.3 pounds compared with the actual yield per acre in 1931 of 201.2 pounds. The indicated production was 5,671,000 bales or 33.2 per cent less than the production last year.

The second acreage estimate from India indicated that the area planted up to October 1 was 6 per cent less than at the same time last year. The estimate of 18,466,000 acres planted to that date is the smallest since 1923, and is 19 per cent less than the acreage planted up to October 1 in 1925, the year when Indian acreage reached its peak. With average yields the Indian crop might easily exceed that of 1931-32 by 800,000 to 1,000,000 bales of 478 pounds, due to the unusually low yields of last year. Members of the cotton trade at Bombay however, estimated the Indian crop at 4,200,000 to 4,600,000 bales of 478 pounds, according to Consul Callanan in a cable dated October 14. This compares with the Government estimate for last year of 3,400,000 bales.

The crop estimate of the Egyptian Government has been received since the last World Cotton Prospects was released and indicates a reduction in production about the same as in acreage. The estimate placed the crop at 869,000 bales of 478 pounds, which is 419,000 bales or 33 per cent less than last year. The acreage was estimated at 1,135,000 acres compared with 1,747,000 acres in 1931-32, a decrease of 35 per cent.

Reports on the Chinese crop continue to point to an increase of 40 to 47 per cent in production which means a crop slightly larger than in 1930-31.

The Russian crop may show some increase but the indications are that this season's production will not increase to any thing like the extent of some of the recent years.

In Mexico and Brazil the information received thus far indicates some decrease in production during 1932-33 as compared with 1931-32.

U.S. DEPOSITORY

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